



USDA Foreign Agricultural Service

# GAIN Report

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## European Union

### Agricultural Situation

## EU Commission proposes adaptations to CAP rules for enlargement countries

### 2003

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**Report Highlights:**

The European Commission has tabled proposals for the implementation of the CAP in the 10 countries due to join the EU in May 2004. The proposals take into account the CAP reform agreement earlier this summer, for which the Regulations only cover the implementation in the existing EU-15.

The 10 New Member States (NMS) will receive the new direct payments for protein crops, nuts and dairy at the same reduced rate (25% in 2004/05) as for other direct payments.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brussels USEU [BE2]  
[E2]

Following the CAP Reform package adopted by the EU in September 2003, the Commission has tabled a series of amendments to both the Accession Act (which enables the accession of the 10 New Member States (NMS) in May 2004) and the CAP Reform legal texts.

The purpose of this, according to the Commission, is two fold – firstly to update the CAP sections of the Accession Act to take into account the CAP Reform, and secondly, to enable aspects of the new CAP to be applied to the NMS, as the current legislation only covers implementation for the EU-15.

EU Agriculture Commissioner Franz Fischler was keen to stress that these amendments seek to maintain the spirit of the Copenhagen agreement in December 2002 when the EU and the NMS agreed a package to adopt the CAP in these countries.

The amendment to the Act of Accession will require a unanimous vote from the Council and the Opinion of the European Parliament. The amendment to the CAP Reform Regulations requires a qualified majority on the Council and does not need the European Parliament's Opinion. The NMS will also be consulted under a procedure connected to the treaty on accession for the 10 countries.

#### Changes proposed

Act of Accession proposals:

- New direct payments introduced by the CAP Reform (for energy crops, nuts and dairy) would have the same phasing-in schedule as all other direct payments (25% in 2004/05, 30% in 2005/06, etc.).
- Technical changes to enable the NMS to apply the hectare-based Single Area Payment Scheme (SAPS) (See Note at end of report). In addition, the NMS applying the SAPS move directly from that to the new Single Payment Scheme (SPS, the decoupled payments under the reformed CAP), rather than backwards to the classical direct payment scheme.
- The proposal also maintains the principle of topping-up direct payments. Topping-up would be possible under the classical scheme until the end of 2006, under the SAPS until the end of 2008, and under the new SPS from 2005 onwards.
- For the milk sector the proposal includes additions and modifications to take account of the fact that the CAP reform replaces the regulation establishing a levy in the milk sector with a new regulation and amends the regulation on the common market organisation for milk and milk products.
- For rural development, the CAP reform introduces a general 'meeting standards' measure intended to help farmers adapt to the operating costs resulting from newly introduced EU standards. The proposal therefore deletes the separate 'Compliance with Community standards' measure created for the NMS in the Act of Accession. Farmers from the NMS will now be able to benefit from the same possibilities as the farmers from the EU-15 under the new compliance and investment measures.

CAP Legislation changes proposed:

- The new Single Payment Scheme (SPS) poses a problem for the new Member States as it is not possible to calculate payment entitlements for their farmers on the basis of

the same historical reference period as used in the EU-15 (2000-2002). Consequently, the proposal foresees that the new member states apply the "regional implementation option" decided in the CAP reform for the EU-15. This means that uniform per-hectare entitlements would be granted within any one region from regional financial envelopes (the level of the per-hectare payment would be calculated by dividing the regional envelope by the regional utilised agricultural area, minus areas of permanent crops and forests). The regional envelopes themselves would be calculated by dividing the national envelope between regions. A national reserve, out of which additional entitlements could be granted for sector specific issues, would be set at 3% of the national ceiling, as for the current Member States. Additional resources could also be channeled to farmers in specific sectors such as organic farming.

- On cross compliance, farmers in the new member states will become subject to the CAP reform rules from 2005 onward, although for NMS applying the SAPS, the cross-compliance rules of the new CAP are not compulsory. For those countries, probably Slovenia and Malta, taking the 'classical' approach, the transition periods negotiated by some countries, for example that concerning implementation of the Habitat directive, will remain intact.
- Confirms that NMS will be exempt from financial discipline and modulation requirements until the level of direct payments they receive is the same as for the EU-15.
- The CAP Reform proposals include a number of national or EU ceilings, quotas and maximum guaranteed quantities. The proposal therefore includes adjustments in some cases to take account of the candidate countries, for example an increase in the EU's maximum guaranteed area for protein crops of 200 000 ha.

Slovenia and Poland have obtained a transition period of one year for the allocation of individual milk quotas. The Commission proposes that for Slovenia, which is likely to opt for the 'classical' direct payments system, the new coupled dairy payments for 2004 be granted on the basis of the provisionally allocated quotas or on the basis of the milk delivered. For Poland, which has announced its intention to apply the SAPS, the dairy payments will automatically be included in the national SAPS envelope.

## Note

The NMS have a choice in implementing the CAP. Either they can opt for the so called Single Area Payments Scheme (SAPS), or the standard CAP package. SAPS can be described as adding up the value of all the direct payments that a region would be entitled to, then dividing this amount to give a fixed payment per hectare, regardless of what had been grown on that land. One substantial advantage of SAPS is that it requires far less administration to implement. So far, all the New Member States, except Malta and Slovenia, have indicated that they will take the SAPS option.

## [Link to the Commission Press Release announcing the proposals:](http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/1454|0|RAPID&lg=EN&display=)

[http://europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=IP/03/1454|0|RAPID&lg=EN&display=](http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=IP/03/1454|0|RAPID&lg=EN&display=)

[Council Regulation \(adapting the CAP legal texts\).](#)

[http://europa.eu.int/comm/agriculture/capreform/enlarge/640\\_en.pdf](http://europa.eu.int/comm/agriculture/capreform/enlarge/640_en.pdf)

["Council Decision adapting the Act of Accession..."](#)

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**Related reports from USEU Brussels:**

Report Number	Title	Date Released
E23184	EU formally approves CAP reform	9/27/2003
E23181	EU proposes reforms for cotton, olive oil, tobacco and sugar	9/25/2003
E23121	CAP Reform deal approved	6/26/2003
E23120	CAP Reform Update	6/25/2003

The Copenhagen Summit Agreement is detailed in the following [Commission Press Release](#):

[http://europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=MEMO/02/301|0|R APID&lg=EN&display=](http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=MEMO/02/301|0|R APID&lg=EN&display=)